



REPUBLICAN STAFF COMMENTARY

Employment Report: We Could Be Back to Even

Average Recovery Would Have Produced 3.7 Million More Private Sector Jobs

November 2, 2012

Economy Added 184,000 Private Sector Jobs; Unemployment Rate Rises to 7.9% in October

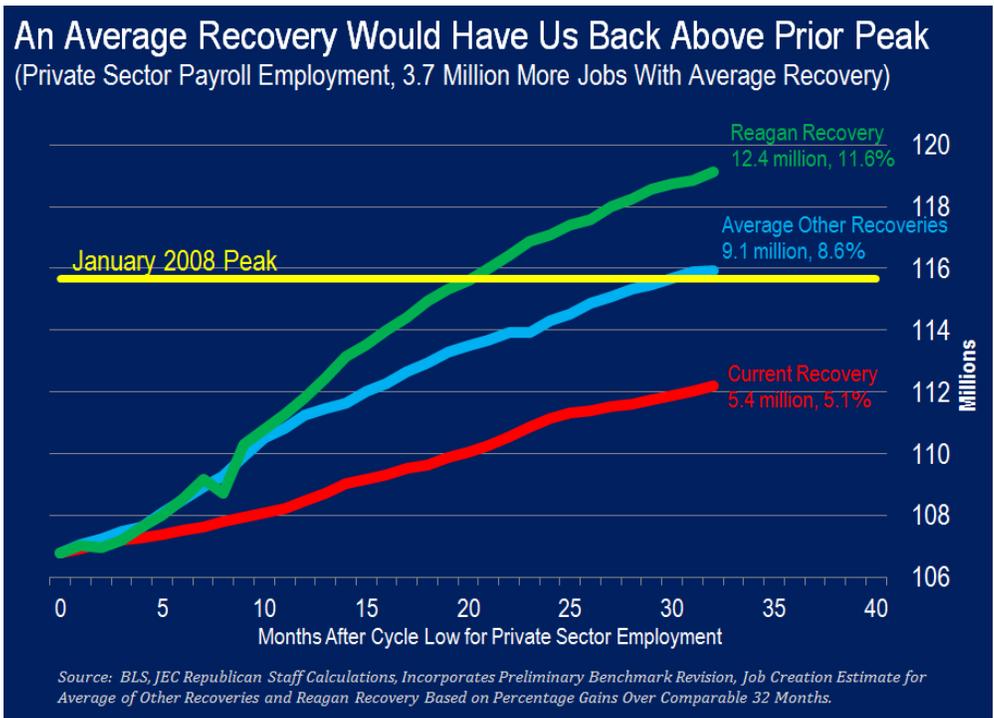
The Bureau of Labor Statistics reported that on a seasonally-adjusted basis nonfarm payrolls increased by 171,000 during October with private sector payrolls growing by 184,000.

Despite the gains reported for October, the current recovery remains substandard in terms of growth and private sector job creation. Since February 2010, there have been 32 consecutive months of private sector job growth for a total of 5.4 million jobs or slightly less than 5.1%¹.

In the other nine recoveries since World War II lasting longer than a year, private sector job growth averaged 8.6% over the comparable 32 months.

If this recovery had progressed at the average of other recoveries in creating private sector jobs, private payrolls have increased by 9.1 million or 3.7 million more than the current recovery. An average recovery would have pushed us above the all-time high reached in January 2008.

Under a robust recovery, like the Reagan recovery of the 1980s, the economy would have added 12.4 million private sector jobs, instead of 5.4 million.



An average recovery would have created 9.1 million private jobs or an additional 3.7 million jobs.

The Unemployment Rate Rises to 7.9%

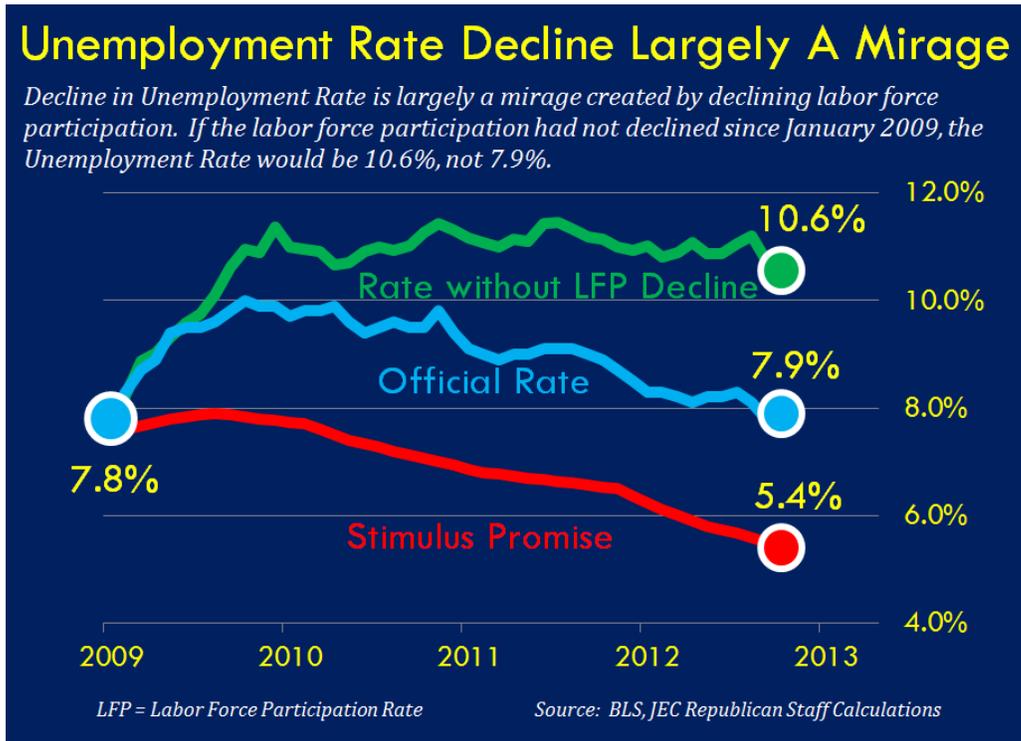
Unemployment rate would be 10.6% without labor force participation decline

The unemployment rate rose to 7.9% during October. This follows the surprising drop to 7.8% reported by BLS in September. The unemployment rate peaked at 10.0% in October 2009.

However, the drop in the unemployment rate is largely a mirage fueled by a drop in the labor force participation rate. The labor force participation rate stood at 63.8% in October. This compares to participation rates of 65.7% in January 2009 and 66.0% when the recession began in December 2007.

Absent the decline in the labor force participation rate since January 2009, the unemployment rate would be significantly higher at 10.6%.

The decline in labor force participation since January 2009 has reduced the size of the labor force by 4.7 million. Labor force growth is a key component to the output potential of the U.S. economy.



Conclusion

Any level of job creation is better than job losses. However, the continuing historically sluggish recovery poses a threat to the long-term health of the U.S. economy. An average recovery in private sector payrolls would have returned private sector employment to levels higher than the prior peak in January 2008. The additional 3.7 million private sector jobs that “average” would have delivered would place the U.S. economy in a far better position.

¹ This increase incorporates the Bureau of Labor Statistics preliminary benchmark revision which will be incorporated into the reported data in early 2013.